

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

U.S. ETHERNET INNOVATIONS, LLC,

No. C 10-3724 CW

Plaintiff,

ORDER DENYING
WITHOUT PREJUDICE
THIRD-PARTY
DEFENDANT'S MOTION
TO DISMISS FIRST
AMENDED THIRD-
PARTY COMPLAINT,
AGAIN ALLOWING
JURISDICTIONAL
DISCOVERY, AND
SEVERING THIRD-
PARTY ACTION
(Docket No. 904)

v.

ACER, INC.; ACER AMERICA
CORPORATION; APPLE, INC.; ASUS
COMPUTER INTERNATIONAL; ASUSTEK
COMPUTER, INC.; DELL, INC.;
FUJITSU, LTD.; FUJITSU AMERICA,
INC.; GATEWAY, INC.; HEWLETT
PACKARD CO.; SONY CORPORATION;
SONY CORPORATION OF AMERICA; SONY
ELECTRONICS INC.; TOSHIBA
CORPORATION; TOSHIBA AMERICA,
INC.; and TOSHIBA AMERICA
INFORMATION SYSTEMS, INC.,

Defendants,

INTEL CORPORATION; NVIDIA
CORPORATION; MARVELL
SEMICONDUCTOR, INC.; Atheros
COMMUNICATIONS, INC.; and
BROADCOM CORPORATION,

Intervenors.

AND ALL RELATED COUNTERCLAIMS

In the underlying patent infringement case, Plaintiff U.S. Ethernet Innovations, LLC (USEI) sued several defendants, including ASUSTeK Computer Incorporation (ASUSTek) and ASUS Computer International (ACI) (collectively, ASUS). On January 17, 2013, Third-Party Plaintiff ASUS filed a third-party complaint against Third-Party Defendant Silicon Integrated Systems Corporation (Taiwan)(SIS-TW). SIS-TW moved to dismiss, which the Court granted on August 7, 2013, with leave to amend. On August

1 14, 2013, ASUS filed an amended third-party complaint (1ATPC).
2 SIS-TW again moves to dismiss based on failure to serve, lack of
3 jurisdiction, and failure to state a claim. ASUS opposes.
4 Pursuant to Civil Local Rule 7-1(b), the Court finds that this
5 matter is appropriate for resolution without oral argument.
6 Having considered the papers submitted, the Court DENIES SIS-TW's
7 motion without prejudice, ORDERS that SIS-TW must respond to
8 jurisdictional discovery, and ORDERS that the third-party
9 complaint be severed and filed under a new case number.

10 BACKGROUND

11 SIS-TW is a Taiwanese integrated circuit design corporation.
12 Docket No. 731-1 (Chen Decl.) ¶ 2. It has filed a declaration
13 asserting that its operations are based solely in Taiwan, and that
14 it has no employees, officers, directors, or managing agents
15 located in the United States. Id. ¶ 3-4. SIS-TW is not
16 registered to do business in California or the United States, nor
17 does it own property, pay taxes, maintain a bank account or other
18 assets, have a mailing address, maintain service locations, or
19 advertise or solicit business anywhere in the United States. Id.
20 ¶¶ 3, 5-11, 22.

21 ASUSTek is a Taiwanese company. Docket No. 856, 1ATPC, at
22 ¶ 2. ACI is a California company and ASUSTek's wholly-owned
23 subsidiary. Id. ¶ 3.

24 On July 28, 2011, SIS-TW entered into a purchase agreement
25 with ASUSTek in Taiwan for the sale of certain SIS-TW products.
26 See Docket No. 731-2, Purchase Agreement; Chen Decl. ¶ 19. ASUS
27 was not a party to the Purchase Agreement. In fulfilling the
28 Purchase Agreement, SIS-TW manufactured the products in Taiwan and

1 delivered them to ASUSTek in Taiwan. Chen Decl. ¶ 13-14, 21.
2 SIS-TW does not direct or control where ASUSTek's finished
3 products are sold. Id. ¶ 15. The parties also signed an
4 Indemnity Agreement which requires SIS-TW to defend and hold
5 ASUSTek harmless if it is sued due to alleged intellectual
6 property infringement by SIS-TW products supplied to ASUSTek. See
7 1ATPC ¶ 20.

8 USEI filed this case on October 9, 2009, alleging that ASUS
9 infringed certain patents by incorporating products provided by
10 SIS-TW. See Docket No. 1; 1ATPC ¶ 30. On January 17, 2013, ASUS
11 filed a third-party complaint against SIS-TW for breach of
12 contract and breach of warranty of title and warranty against
13 infringement. On August 7, 2013, the Court quashed service as
14 improper and dismissed ASUS' third-party complaint for lack of
15 personal jurisdiction. Docket No. 851 at 6-8. However, the Court
16 observed that it might be possible to establish jurisdiction
17 through SIS-TW's assumption of SIS-US's sales in the United
18 States, and authorized jurisdictional discovery on that issue.
19 Id. at 8. The Court set a timeline as follows: an amended
20 complaint was to be filed within seven days, service was to take
21 place within twenty-one days, and jurisdictional discovery could
22 take place after service was effected. Id. at 15. On August 14,
23 2013, ASUS filed its 1ATPC, which SIS-TW now seeks to dismiss.

24 DISCUSSION

25 1. Service of Process

26 SIS-TW argues that ASUS failed properly to serve SIS-TW.
27 Because SIS-TW is a resident of Taiwan, the applicable
28 requirements for service of process are found in Federal Rule of

1 Civil Procedure 4(f). Taiwan is not a member of the Hague
2 Convention. See Fed. R. Civ. P. 4(f)(1). SIS-TW asserts that
3 Article 123 of the R.O.C. Code of Civil Procedure establishes that
4 the only way for a United States company to serve a Taiwanese
5 company is by requesting the assistance of the clerk of the
6 Taiwanese court. See Docket 904, Exs. 1, 5, 6 (declaration of
7 Vanessa Weng, licensed attorney in Taiwan, and applicable statutes
8 and case law). If SIS-TW is correct (and ASUS does not challenge
9 SIS-TW's finding), then ASUS cannot effect service by mail under
10 Rule 4(f)(2)(C) because doing so would be prohibited by the
11 foreign country's law. ASUS must instead seek the assistance of
12 the clerk of the Taiwanese court, either directly or through a
13 letter rogatory issued by the United States District Court, under
14 Rule 4(f)(2)(A) or (B).

15 ASUS was not able timely to serve SIS-TW under the procedures
16 laid out above. ASUS first mailed a copy of the summons and
17 complaint to SIS-TW under Rule 4(f)(2)(C), which was received
18 within the twenty-one day deadline for service set by the Court.
19 However, SIS-TW rejected service as improper, insisting that the
20 only method of proper service was through the assistance of the
21 Taiwanese court system. ASUS then initiated that process by
22 asking this Court for a letter rogatory, which the Court granted
23 and issued on August 30, 2013. See Docket No. 880. ASUS
24 consequently mailed the Court's letter rogatory to the United
25 States Department of State to be processed. See Docket No. 920,
26 Ex. 5. On November 4, 2013, sixty-one days after the Court-
27 mandated deadline, SIS-TW received service by way of the letter
28 rogatory. Although proper service did not take place until sixty-

1 one days after the Court-ordered deadline for service, ASUS
2 diligently pursued this matter by trying to serve SIS-TW's office
3 by registered mail first. SIS-TW does not dispute that it
4 received the summons and complaint by mail, but rejected it as
5 procedurally invalid. ASUS then diligently sought to serve SIS-TW
6 through government channels, which required additional time to
7 process.¹ In this situation, it would be harsh to bar ASUS from
8 bringing suit against SIS-TW because service was late. SIS-TW
9 admits to receiving a copy of service by mail beforehand and has
10 had full notice of this lawsuit, so SIS-TW's due process rights
11 have not been harmed.

12 2. Jurisdictional Discovery

13 In its opposition to SIS-TW's first motion to dismiss, ASUS
14 requested jurisdictional discovery to show that SIS-TW was an
15 alter ego or agent of SIS-US, citing SIS-TW's previous statement
16 that it had "assumed responsibility" for SIS-US sales in the
17 United States after 2008. Docket No. 782 at 8. The Court agreed,
18 allowing limited discovery after effective service: "While there
19 is not presently evidence of ongoing sales, in light of SIS-TW's
20 admitted assumption of responsibility for United States sales in
21 2008, jurisdictional discovery is appropriate here." Docket No.
22 851 at 8, 15.

23 No discovery has taken place. SIS-TW argues it has
24 sufficiently addressed the need for jurisdictional discovery by

25 ¹ Neither party sought leave from the Court to depart from
26 certain Court orders. In the future, the parties must seek leave
27 from the Court to do so under Civil Local Rule 6-1 and Federal
28 Rule of Civil Procedure 37. Otherwise, the parties run the risk
of penalties for noncompliance.

1 filing a one-paragraph declaration by Tina Chen, director of legal
2 affairs at SIS-TW. See Docket No. 904-8 (Chen Decl.) ¶ 1. The
3 declaration states that SIS-TW's sales in California since 2008
4 were unsolicited, were for products not accused in this lawsuit,
5 and have accounted for less than \$175,000 between 2008 and 2011.
6 The declaration further alleges that in 2012 and 2013, SIS-TW has
7 not sold any products in California. Id. ¶ 2. SIS-TW concludes
8 this is not enough to find general jurisdiction in California.
9 ASUS takes issue with SIS-TW's "self-serving" declaration, arguing
10 that SIS-TW has blatantly defied the Court's order. ASUS contends
11 that it is entitled to take jurisdictional discovery. The Court
12 agrees. Because the Court ordered limited jurisdictional
13 discovery, ASUS is entitled to exercise that right, in the form of
14 its own choosing. ASUS does not have to settle for SIS-TW's
15 chosen replacement for jurisdictional discovery.

16 3. Severance

17 Although the Court previously permitted ASUS to file a third-
18 party complaint, as the underlying action and the third-party
19 action have developed, it now appears that the third-party action
20 would be better litigated as a separate action. See Fed. R. Civ.
21 P. 14(4) ("Any party may move to strike the third-party claim, to
22 sever it, or to try it separately"); id. Advisory Committee Notes
23 ("the court has discretion to strike the third-party claim if it
24 . . . can only delay or prejudice the disposition of the
25 plaintiff's claim . . . or accord it separate trial if confusion
26 or prejudice would otherwise result"). See also Sw.
27 Administrators, Inc. v. Rozay's Transfer, 791 F.2d 769, 777 (9th
28 Cir. 1986) ("It is not an abuse of discretion to deny an

1 application for impleader where it will disadvantage the existing
2 action."). The underlying patent infringement action involves
3 many defendants and has already been significantly delayed.
4 Adjudicating the numerous third-party indemnification claims in
5 this action runs the risk of causing confusion to the jury and
6 additional delay, affecting other unrelated parties with no
7 indemnification issues. The Court therefore sua sponte severs the
8 third-party action between ASUS and SIS-TW.

9 CONCLUSION

10 The Court holds that service has been properly effected. The
11 third-party action between ASUS and SIS-TW shall be severed from
12 the underlying action. The Clerk of the Court shall assign a new
13 case number to the third-party action and transfer the third-party
14 complaint, related motions to dismiss, and related Court orders to
15 the new action's docket. The new action shall remain assigned to
16 the undersigned and shall not result in a statistical credit.

17 For sixty days following this order, ASUS may take limited
18 jurisdictional discovery regarding SIS-TW's assumption of SIS-US
19 sales in the United States. SIS-TW shall serve any discovery
20 requests within fourteen days of this order. After the sixty-day
21 period has expired, ASUS has one week to serve an amended third-
22 party complaint.

23 IT IS SO ORDERED.

24 Dated: 12/18/2013

25 
CLAUDIA WILKEN
United States District Judge